7/28/88 C2710-2

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Investment Age

Wall Street's traditional trading activities would be overhauled under a proposal for a single-price auction system by Kidder, Peabody's R. Steven Wunsch.

Trading plan stirs debate

By Joel Chernoff

NEW YORK — R. Steven Wunsch is attempting to foment a revolution on Wall Street that will upset its revenue stream, shrink the role of market makers and ease the way for big institutions to transact their trades — and some people are listening.

Mr. Wunsch, a vice president in Kidder, Peabody & Co. Inc.'s financial futures department, proposes instituting a "single-price auction" within the operations of the New York and other major exchanges. One market participant describes the idea as "an electronic specialist book that cannot be biased."

With scads of regulators, investigators, investors and others still debating how to fix the markets after Black Monday, Mr. Wunsch's ideas are receiving new currency, particularly from institutional investors.

"I think Steve Wunsch is doing the only honest thinking on trading on the whole Street," said Theodore Aronson, a partner of Aronson & Fogler, Philadelphia.

Mr. Wunsch thinks U.S. markets need to adopt single-price auctions or risk losing out on volume to other markets as the ability to trade from remote terminals advances, global markets become more intertwined and securities products become more fungible.

Under a single-price auction system, buyers and sellers place their orders in an open book, in which everyone can see the order flow. The settlement price would be the one that matches the maximum number of buys and sells; all trades are transacted at that price. In the event of an imbalance, a re-auction would take place.

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Fewer firms replacing folded plans

By Carol Wiley

Incidences of corporations terminating pension plans without starting any successor plans have increased dramatically since 1985, and eventually could represent the majority of pension plan terminations.

The development is a "troubling" one, indicating the government might be fostering policies that lead corporations to "prematurely" terminate their pension plans, thereby depriving employees of their full benefits, said Roger Thomas, former counsel to the House Select Committee on Aging and now a partner in the Washington office of Bell, Boyd & Lloyd.

The impact on the capital markets, however, should be

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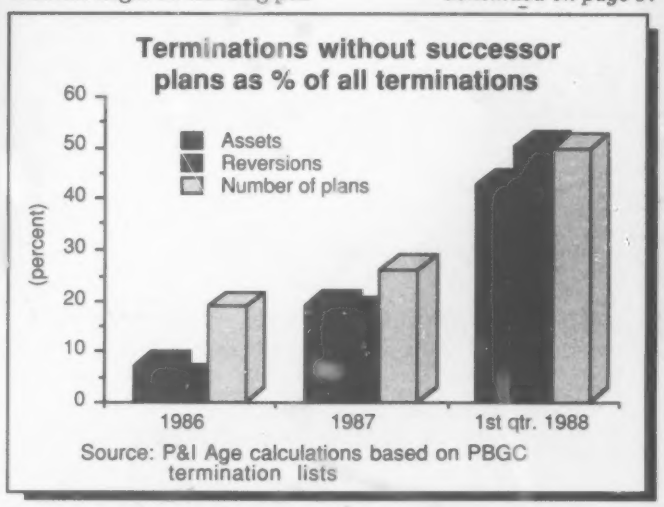

Source: P&I Age calculations based on PBGC termination lists

Ruling voided

Court OKs use of reversion

By Nicky Robertshaw

ATLANTA — A federal court decision that virtually would have eliminated employer reversions of surplus pension assets was overturned after being reheard in the 11th U.S. Circuit Court of Appeals.

In rehearing Blessitt vs. Dixie Engine Co., the panel of 11 judges ruled that under the Employee Retirement Income Security Act, participants in a terminating plan are not entitled to benefits they would have accrued had they remained in the plan until retirement. The decision overturns last year's ruling by a three-judge appellate panel (*Pensions & Investment Age*, Aug. 10).

"The several relevant statutes, the regulations and administrative interpretations, the case law and policy considerations all indicate that Blessitt's position is untenable," the July 8 opinion said.

The ruling involves a $225,000 reversion taken by Atlanta-based Dixie Engine Co. after paying benefits accrued up to Dec. 31, 1982, the

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0405266921 01P100881S COMP
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LATE NEWS

Barings acquires Landauer unit

NEW YORK — Landauer Associates Inc. spun off its investment management unit to one of its institutional shareholders, London-based Barings Inc.

Barings took control of the unit — Landauer Advisors Inc. — in exchange for its 31% stake in Landauer Associates. The move is part of a larger reorganization of Landauer Associates.

John Wendelboe, managing director of New York-based Barings Investment Management Holdings Inc., Barings' U.S. subsidiary that will take ownership of the Landauer unit, said discussions are under way with several institutional investors about the possibility of acquiring a controlling position in Landauer Associates. Landauer Advisors runs $752 million in real estate assets, of which $110 million is tax exempt.

Drexel unit buy-out completed

PHILADELPHIA — The long-awaited buy-out of Drexel Burnham Lambert Inc.'s money management unit occurred July 21. The unit was acquired by present management.

James Balog, formerly vice chairman of the securities firm, is chairman, based in New York. W. Thacher Brown, formerly senior vice president of Drexel Burnham Lambert Investment Advisors, has been named president of the firm. The company, renamed 1838 Investment Advisors, has $3 billion in assets under management, including $1.4 billion in tax-exempt assets. Terms were not disclosed.

Ironworkers protest, pull assets

CINCINNATI — Trustees of the Ironworkers District Council of Southern Ohio and Vicinity $240 million pension fund voted July 19 not to renew a $4.4 million guaranteed investment contract with the Equitable Life Assurance Society of the United States because an Equitable subsidiary hired non-union contractors for a shopping mall renovation.

Assets from the GIC, which expired July 1, will be allocated equally to two of the pension fund's balanced managers — GAMCO Investors Inc. and Dreman Value Management Inc., both in New York — according to Leroy Oberding, business agent for the Ironworkers Local 44, Cincinnati, and spokesman for the District Council. Equitable still holds $30 million in GICs for the pension fund that will be reviewed as they come due.

Equitable did not return phone calls by press time.

PBGC grappling with LTV again

WASHINGTON — The Pension Benefit Guaranty Corp. is going another round with The LTV Corp. — this time over a much smaller pension plan that has run out of money.

LTV wants to terminate the Continental Emsco Evansville pension plan sponsored by LTV Energy Products Co. The plan has a $9.3 million unfunded liability and 300 participants and cannot afford to pay out Aug. 1 checks to retirees.

The PBGC is urging LTV to contribute the $110,000 a month necessary to keep the plan alive and continue paying full benefits.

Funds review assets, managers

• ST. LOUIS — May Department Stores Inc. has switched its defined benefit pension plan to totally passive fixed-income and equity investments, according to a May source.

Pension fund executives at May would not comment, but the source said the plan had terminated all its active equity managers and switched to passive equity investments at the end of June. Fixed-income managers were retained, but active management was discontinued. According to the 1988 Money Management Directory May has $376 million in total pension assets.

• DANVILLE, Va. — The City Employees Retirement System of the City of Danville has hired Thompson Siegel & Walmsley, Richmond, Va., to manage about $10 million in a balanced account, according to Eleanor Hawkins, secretary of the board of directors and plan administrator.

Sovran Capital Management, Richmond, previously the $43 million fund's sole manager, retains $33 million.

• SPRINGFIELD, Ill. — The $7.1 billion Illinois Teachers' Retirement System soon will appoint two managers to overlay the fund's $500 million international portfolio with active currency management.

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Vol. 16, No. 16 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1988.

Real estate survey due

Questionnaires for *Pensions & Investment Age*'s annual directory of real estate investment managers are due July 27.

For your firm to be included in the Sept. 19 directory, please return the questionnaire by July 27 to Christine Philip, directory coordinator, *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611-2590.

If you have any questions or have not received a questionnaire, please contact Ms. Philip at (312) 649-5217.

Bentsen blazed trail for Houston adviser

By Fred Williams

HOUSTON — Texan Lloyd Bentsen made his mark in the money management business more than three decades before he became the Democratic Party's nominee for vice president.

Indeed, his political success — including three terms as a U.S. senator — is grounded in a 16-year business career in Houston, where he built a diversified financial services business and helped launch one of the nation's largest investment management firms.

The Criterion Group, parent company of Criterion Investment Management Co., is an offshoot of a financial services company founded by Mr. Bentsen in 1955.

Charles Miller, president of Criterion, credited Mr. Bentsen with the firm's entry into the pension industry in 1969, when the firm was known as Funds Inc., by forming Funds Inc. Investment Advisory.

Mr. Miller had resigned his position as investment officer of the Teacher Retirement System of Texas in 1966 to join Mr. Bentsen at Texas Fund Management Co., a mutual fund management company owned by Mr. Bentsen. In 1967, Texas Fund Management became Funds Inc., and was merged into Mr. Bentsen's holding company, Lincoln Consolidated. Lincoln was a diversified financial services company with insurance as its primary business through Lincoln Liberty Life Insurance Co.

"He was one of the pioneers in the concept of a single company providing many financial services . . . a department store of finance concept. Had he stayed in business and tried to do that, he would have done it very successfully," said Mr. Miller.

Mr. Bentsen's direct involvement in the business ended when he was first elected to the Senate in 1970, Mr. Miller said, but Mr. Bentsen's family retained controlling interest in Lincoln.

In 1972, Lincoln Consolidated was sold to Illinois Central Industries, a Chicago conglomerate.

Lloyd Bentsen is no stranger to investment management.

Funds Inc. was spun off to Lincoln shareholders — primarily Bentsen family members — as a separate publicly held company controlled by the family, said Mr. Miller.

In 1976, Mr. Miller and a group of associates formed Criterion and acquired Funds Inc. — which had about $300 million under management, about half of which was tax exempt — from the shareholders.

Today, Criterion has almost $13 billion under management.

Mr. Miller said Mr. Bentsen has no direct connection with Criterion, although Mr. Bentsen's wife, Ann, was elected to the board of directors of Criterion's mutual funds group in 1986.

Mr. Miller is reluctant to boast of his friendship with the vice presidential nominee, but does not hesitate to express his confidence in the man, and fellow Texan, who could end up a heartbeat away from the presidency.

"It's my personal opinion that he knows more about the world financial system than anybody in U.S. government, and I mean anybody," Mr. Miller said. "He knows more from a practical and theoretical standpoint. He is very much more intellectually inclined than some people give him credit for. He studies continuously and has all his life continued to learn. I can tell that by how he talks and what he says on the occasions I do get to see him and what he does in public.

"His policies have been very pro-capital market and pro-investment. When he was chairman of the Joint Economic Committee (in the late 1970s) and even before (Ronald) Reagan came in, while (Jimmy) Carter was still president, he was talking about venture capital investments and needing more capital for the sys-

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Institutions rethinking board seat at Texaco

By Marcia Parker

Several proposals have been sent to Texaco Inc. management by the California Public Employees' Retirement System officials, who are negotiating a process to involve institutions directly in the nomination of members of the board of directors.

The California fund and the New York State & Local Retirement Systems have taken the lead in pursuing board representation for institutions. They obtained an agreement from Texaco management last month to involve them directly in the selection process for board members in time for the 1989 annual meeting (*Pensions & Investment Age*, June 27).

The agreement was widely interpreted to mean institutional investors would get direct board representation through at least one board seat. But Richard Koppes, counsel to the California fund, said that idea had been shelved because of serious fiduciary and liability issues.

Since the concept of insti-

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World tracking dollar, not vote

By Marlene Givant

Foreign institutions plotting their investment strategies are paying greater attention to the direction of the U.S. dollar than to the equally uncertain outcome of the U.S. presidential election.

Although foreign money managers, like many U.S. voters, are unclear about the policies of Gov. Michael Dukakis and Vice President George Bush, they believe regardless of who is elected, taxes will have to be raised to bridge the budget and trade deficits.

"A fair amount of problems are being put under the carpet. Whoever lifts up the carpet in November and January will have to deal with what he finds there," said Richard Katz, chairman of N.M. Rothschild International Asset Management Ltd., London.

But several managers are heartened by the U.S. dollar's recent rally and the beneficial effects a strong dollar could have on the trade deficit and interest rates. At the same time, they believe the U.S. stock market is attractively priced.

Managers bearish on the United States base their views not on the election, but on the unwillingness of the Reagan administration and the candidates to come to grips with major economic problems.

"The deficits require firm and decisive government action, which is unlikely before an election. Therefore, we're very cautious on the U.S.," said Alan McFarlane, director of the U.K. pension division of Ivory & Sime Pensions Ltd., Edinburgh, which manages $1.2 billion for non-U.S. clients. The firm's U.K. pension fund accounts, which usually have 10% to 30% in U.S. stocks, have no U.S. equities now.

N.M. Rothschild is looking to unload U.S. stocks in favor of attractively priced European stocks in such markets as France and the United Kingdom, which have their elections behind them. It also might invest temporarily in bonds, as yields in major markets worldwide have risen considerably, said Mr. Katz.

"The strongest period of economic growth is behind the U.S. Growth will almost certainly slow, if not go negative," he said.

"Neither candidate is likely to be as helpful to business and the stock market as the Reagan administration."

The U.S. election won't only affect domestic markets. J.A. Furlong, pension marketing director of Yamaichi Capital Management (Europe) Ltd., London, which runs $112 million in Japanese equities for U.K. pension funds, fears possible protectionist measures imposed under a Dukakis administration could hinder Japanese exporters.

"We're watching opinion polls like everyone else," he said. "If Dukakis gets in and restricts Japanese exports to the U.S., Japanese exporters will have to change export strategies and move into

Continued on page 37

INTERNATIONAL

Investors gird for EC explosion

By Marlene Givant

International investment professionals are busily picking industries and stocks set to prosper through the lifting of European Community trade barriers by the end of 1992.

While only a few have structured their portfolios specifically to reflect the 1992 theme, almost all managers and investment analysts are focusing on Europe, knowing corporate profit margins will be squeezed and mediocre companies will disintegrate.

"1992 is an obvious exciting kicker for the whole case for investing in Europe, in addition to good valuations. . . . It's important to be in the right industries and companies because some won't survive," said Beatrice Philippe, managing director of Wertheim-Philippe International, New York, which runs $200 million for U.S. tax-exempt clients.

By Dec. 31, 1992, the EC overhaul would integrate 325 million consumers into one market (the United States has 250 million consumers); remove non-tariff trade barriers; free capital flows; make sales taxes more uniform; boost labor mobility; and open bids for government contracts. The gross domestic product would total $4.2 trillion, roughly equal to that of the United States, and the EC expects GDP to increase 4.5% by the time the plan is completed. In addition, the harmonization should add 1.8 million jobs and reduce inflation by 6%, according to EC figures.

At least a few observers think the 1992 phenomenon is being overblown and key issues involving national sovereignty have yet to be resolved. "Trying to pick winners and losers is absolutely futile," said Mark Cusack, managing director of U.K. research for Hoare Govett Ltd., London.

Still, many expect dramatic changes. At the forefront of investment planning is the prospect of increased mergers and acquisitions.

Asked to identify companies and global industries most likely to benefit from the 1992 process, 18 managers and analysts interviewed by *Pensions & Investment Age* zeroed in on large service companies, primarily in the financial services and the consumer area (*see accompanying chart*).

Insurance frequently was chosen to benefit from liberalization and bridging of price differentials, while two of the most popular sectors — advertising and food and drink — are expected to gain as pan-European brand recognition becomes important for the first time.

But there are hurdles. Alastair Ross Gooby, international strategist at James Capel & Co., London, said, "One of the great myths is that you can build up world brands."

Companies the experts picked — such as **Unilever** and **Saatchi & Saatchi** — were almost all large with the capital and foresight to expand. But, noted Hamish Parker, portfolio manager at Hill Samuel/Investment Advisers Ltd., London, "any company can benefit — small or large. The big company theme is slightly overstated." Companies not listed on exchanges also could boom, some experts said.

Managers clearly are preparing for the changes. Two-thirds of the names in Wertheim-Philippe's international portfolios are 1992-related. Matuschka-Moser Partners, Greenwich, Conn., is offering a venture capital fund to invest in companies in the United States and abroad that likely will benefit from the changes. Capital Management International of Deutsche Bank, New York, has set up a team to explore implications of 1992 for investments.

Baillie Gifford Overseas Ltd., Edinburgh, Scotland, has half of the foreign equities it invests for U.K. funds and 40% of its $130 million in U.S. pension fund money invested in the Continent — but based on valuations, not the 1992 theme. "We're not clear there are obvious portfolio conclusions to be drawn from it," said Richard Burns, partner.

But Rolf Breuer, a director of Capital Management International, expects mergers and acquisitions activity to at least double in the next four years; he said the prospect is influencing many firms' buy decisions.

Activity already is under way. In the food and beverage industry, for instance, Switzerland's Nestle S.A. acquired Britain's Rowntree PLC, and Switzerland's Jacobs Suchard S.A. acquired Belgium's Cote d'Or.

For non-EC European countries it will be "critical" to obtain a foothold, said Dorian Foyil, European research analyst at UBS-Phillips & Drew Global Research Group, London, and editor of its report, "Europe 1992: Breaking Down the Barriers." Sweden and Switzerland, for example, export to the EC more than half of the goods they produce.

Non-EC companies might buy small companies with a national presence and expand them across Europe, or buy niche companies.

The Japanese are coming, too. Andrew Smithers, senior resident director of S.G. Warburg & Co. Inc., Tokyo, sees more portfolio as well as corporate investment by the Japanese in Europe. Non-EC countries like Japan are taking a "Trojan horse" approach to the process: for example, Spain's **Motor Iberica** is a subsidiary of Nissan, said Mark Edwards, vice president of Rowe Price-Fleming International Inc., Baltimore, which runs more than $2 billion for U.S. tax-exempt clients.

The Japanese, because they are the chief among low-cost producers, should excel with the 1992 plan, said Ian Henderson, director of Wardley Investment Services International Ltd., London, which runs $65 million for U.S. tax-exempt clients. U.S. companies are

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1992: STOCKS TO WATCH

Industry	Company	Country
ADVERTISING & MEDIA	Agence Havas	France
	Maxwell Communication	U.K.
	Saatchi & Saatchi	U.K.
AIRLINES	British Airways	U.K.
	KLM Royal Dutch Airways	Netherlands
AUTOMOTIVE	Fiat	Italy
BANKS	Deutsche Bank	W. Germany
	National Westminster	U.K.
CONSUMER PRODUCTS	LVMH	France
	Philips	Netherlands
	Unilever	Netherlands
FOOD & BEVERAGE	BSN-France	France
	Guinness	U.K.
	Nestle	Switzerland
LEISURE	Grand Metropolitan	U.K.
INSURANCE	Allianz Versicherung	W. Germany
	Prudential	U.K.
TELECOMMUNICATIONS	L.M. Ericsson	Sweden
	Siemens	W. Germany
TRANSPORTATION	TNT	Australia
	Transport Development Group	U.K.

Stocks listed were named by two or more analysts or portfolio managers.

Ireland developing finance capabilities with eyes on future

By Joel Chernoff

DUBLIN, Ireland — Ireland is making its bid to become an international finance center — just in time for 1992's deregulation of European trade and financial barriers.

Proponents are touting the new International Financial Centre, being constructed in a previously run down section of Dublin, because of its low-cost advantages to other European locations. Like Luxembourg and Paris, they hope to develop a niche for Dublin in the European financial community.

Thirty-eight companies, including Citicorp and Chase Manhattan Corp., have applied for licenses to operate in the center, which is scheduled to open next year. While most of the companies are setting up business in large-ticket leasing and asset financing, center officials now are focusing on attracting European and U.S. money management operations.

Officials hope low costs, a special 10% corporate income tax rate, modern telecommunications systems and a skilled population will lure financial services companies to Dublin.

"We're really a nation of horse traders, but we've brought our horse-trading skills into the 20th century," said John C. Corrigan, director and investment manager of Allied Irish Investment Managers, Dublin, which manages $2.5 billion in assets. The subsidiary of Allied Irish Bank is a tenant.

Liberalization of European barriers on movement of capital and trade in 1992 will aid the center, proponents hope. New rules lifting barriers on unit trusts — making it possible to set up operations and market anywhere in the European Community — go into effect next year.

Even last October's stock market fall seems to be working in the center's favor, as companies have become more cost conscious, said P.J. Daley, executive vice president of the Irish Development Authority, Dublin, the firm marketing the center.

While the main sources of business are expected to come from leasing, asset financing and money management, the center also is touted as being attractive for corporate treasury management using multicurrency techniques.

Overseas companies can keep their accounts in currencies of their choice for tax purposes, an unusual feature, noted David P. Hanna, executive vice president of the Irish Development Authority. Irish subsidiaries of Digital Equipment Corp. and Texaco Inc. have signed up as tenants.

Wang Laboratories Inc.'s worldwide leasing operation also signed a lease in the 750,000-square-foot International Financial Services Centre, which officials believe can accommodate a wide array of financial activities, including money management, treasury management, banking, securities trading, insurance and back-office operations.

Other tenants include a Citicorp-affiliated securities firm, Gandon Holding PLC; British & Commonwealth Group, London, one of Britain's largest financial services firms; James Capel & Co., London, a British securities broker; and Krediet-bank, Brussels, a Belgian bank. Also, Allied Irish Bank and Bank of Ireland have committed to 150,000 and 60,000 square feet, respectively.

The International Financial Centre, part of Dublin's Custom House Docks Development shown here, enhances Ireland's stature in European finance.

The financial center, scheduled to take in its first tenants in September 1989, is the first phase of the $500 million Custom House Dock Development. In five years, the development will include an international trade center, four other office buildings, a hotel and conference center, and retail and residential buildings. One million square feet is expected to become available during the first two years, of which 400,000 square feet is committed.

Located beside the 18th century Dublin Custom House on the River Liffey, the project was designed by Benjamin Thompson & Associates, Cambridge, Mass., ar-

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EC explosion

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expected to wait for a stronger dollar before they accelerate European expansion.

As long as the EC policy on cross-border acquisitions remains unclear, activity is sure to increase. Most acquisitions are expected to take place where they are restricted least — in the United Kingdom, France and Spain.

Managers and analysts mentioned a wide list of takeover targets. Dominic Freud, senior international equity analyst at Banque Paribas Capital Markets, New York, said, "Almost any company with an interesting marketing position or an interesting brand which is not particularly enormous would be viewed as a potential target."

Many experts expect French beverage companies **Perrier** and **Pernod Ricard** and Italian paper company **Cartier Burgo** to be taken over.

Mr. Foyil mentioned **Jaguar** (when the U.K. government's "golden share" in the company expires in 1991, allowing foreign control) as a target; Mr. Burns of Baillie Gifford cited U.K. financial service company **Morgan Grenfell** as well as **Sun Life Assurance**, because it is held by many Australians, who are aggressive raiders.

Peter Chambers, vice president and head of European equities at Citicorp, which manages more than $100 million for U.S. tax-exempt clients, thinks the Spanish chemical company **Energia & Industrias Aragonesas** and **Royal Bank of Scotland** are likely targets.

Rowe Price-Fleming's Mr. Edwards cited **Feldmuehle Nobel**, a German materials and commodities company, and **Arjomari-Prioux**, a French forest products and paper company. His holdings include small companies — such as **Elsevier**, a Dutch publishing company and **Vallerhemoso**, a Spanish property company — he thinks will seek strong partners.

Despite the opportunities, the 1992 plan is met with ample skepticism. Key issues include whether the EC countries will adopt a single currency, a central bank and coordination of fiscal policies.

Hoare Govett's Mr. Cusack said harmonization is "not in politicians' own interests since they are essentially voting away their own reason for existence."

Also, less than one-third of the 300 directives due to be completed by year-end 1992 are in the works and few believe all will be ready by the deadline.

Practical concerns include the willingness of workers to move around and feasibility of looser border controls. "They could give a free reign to terrorism or soccer hooligans — how do you deal with that?" asked Henry de Vismes, managing director, Kleinwort Benson International Investment Ltd., London.

Governments still will resist foreign takeovers, as was the case in Carlo de Benedetti's failed attempt to take over Belgium's Societe General, said Philippe Piete, senior partner of World'Vest Base Ltd., Three Oaks, Mich. Restructuring through takeovers also will be difficult as EC companies might take cross-holdings in each other to prevent hostile raids.

Another obstacle includes governance of the huge market. "Who will manipulate that one rulebook (for the EC)? You could end up with each country's strictest rules," Hill Samuel's Mr. Parker said. ■

Foreign Editor Joel Chernoff in New York and Paul Montgomery, Brussels, Belgium, also contributed to this story.

Profiles of the leading consultants in the investment management industry will be appearing in the Oct. 17 issue of *Pensions & Investment Age*.

Managers ranked by total tax-exempt assets in international and global accounts
(as of March 31)

Firm	($ millions)
1. State Street Bank	4,031
2. J.P. Morgan	2,726
3. Capital Guardian	2,701
4. Morgan Grenfell	2,684
5. First Chicago	2,314
6. Templeton International	2,076
7. Rowe Price-Fleming	2,057
8. Grantham Mayo Van Otterloo	1,981
9. Batterymarch	1,960
10. Baring International	1,902
11. Fidelity International	1,825
12. Schroder Capital	1,736
13. Worldinvest	1,424
14. Warburg Investment	1,324
15. N.M. Rothschild	1,221
16. Nomura Capital	1,141
17. PCM International	985
18. Wells Fargo	971
19. Citicorp Investment	806
20. Oechsle International	743
21. Posthorn Global	672
22. Brown Brothers Harriman	646
23. G.T. Capital	628
24. Mellon-Pictet	611
25. Julius Baer	610
26. Bankers Trust	607
27. Alliance Capital	602
28. IDS International	566
29. Scudder, Stevens & Clark	565
30. Fiduciary Trust*	560
31. Kemper-Murray Johnstone	496
32. Daiwa International	481
33. ABD International	359
34. Arnhold & S. Bleichroeder	320
35. Capital Mgmt. International	261
36. Martin Currie	260
37. Chase Investors International	250
38. SBC Portfolio Mgmt.	249
39. Wellington International	245
40. Beutel, Goodman	241
41. Putnam Advisory	239
42. Walter Scott	237
43. Hill Samuel/Investment	228
44. American National Bank	221
45. Lombard Odier	217
46. Bessemer Group*	190
47. Boston International	181
48. Massachusetts Financial	175
49. Wertheim-Philippe	171
50. Boston Co.	167
51. Chemical Investment	162
52. Kleinwort Benson	154
53. Dimensional Asset	150
54. Travelers	150
55. Centerre Trust	146
56. Baillie Gifford Overseas	140
57. CIGNA Asset	131
58. BEA Associates	127
59. County NatWest	125
60. Ivory & Sime International	125
61. Nikko & Associates	122
62. Capital Research & Mgmt.	118
63. Credit Suisse Asset	117
64. Marvin & Palmer Associates	90
65. Van Eck	86
66. Matuschka Moser Partners	85
67. BZW Investment Management	82
68. Wardley Investment Services	64
69. Babson-Stewart Ivory	55
70. Equitable Capital	54
71. Fidelity Mgmt. Trust	52
72. Key/Dunedin Worldwide	52
73. Provident Capital	40
74. Foreign & Colonial Asset	33
75. First RepublicBank Asset	25
76. Emerging Markets Investors	24
77. Simms Capital	24
78. Morgan Stanley Asset	14
79. HD International	11
80. Touche Remnant Investment	8
TOTAL	50,431

*as of Dec. 31

This is a complete list of the management firms with international/global assets under management that responded to the Top 50 survey in the June 27 issue.

OUR VIEW OF INVESTING OUTSIDE AMERICA

Following the period of retrenchment in the wake of the October crash, fund managers in America are once again looking overseas. But performance in the different markets has not been uniform in either equities or bonds. With the help of James Capel, a global investment house with close to 200 analysts covering 5000 companies on 25 stock markets around the world, institutional investors have more access to more international opportunities than ever before. The benefits associated with diversifying investments internationally are familiar to the experienced fund managers. Risk is spread and as the selection of stocks is increased, so too are the opportunities.

To make the most of these opportunities requires discipline, experience and the ability to interpret the implications of currency, macro-economic influences and market sentiment. Analysts must have the support of colleagues in different markets, across different time zones, in order to provide a perspective on their own specialty. Whether investing in a major market like Tokyo or an emerging market like Manila, the analyst advising you, or the salesman executing your instructions should not be working in isolation.

Our reputation is well established among the more sophisticated investors based in the United States and James Capel is not new in the international investment community. Nor are we a minor player. We were established over two hundred years ago and now have the largest market share of the institutional broking business in London. Our analysts have consistently topped surveys undertaken by the Institutional Investor magazine, Extel, the financial information service, The Association of Corporate Treasurers in London, The Sunday Times/MORI poll, Taylor Nelson, the market research firm, and many others. We are primary dealers in the UK gilt market, major participants in the Eurobond market, associated with the US Treasury experts CM&M and world leaders in many specialist services such as portfolio trading.

Corporate Finance is becoming an increasingly important part of the business and our clients are benefitting from our own global network of offices. It puts us in twenty one cities on four continents. We are also members of the HongkongBank Group.

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James Capel

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P&I Age Corporate Top 100

Company	ABO	PBO	Plan assets	Plan assets in excess (less than) PBO	Actual return (loss) on plan assets	Net periodic pension expense (income)	Pension expense as a % of adjusted net income	Plan assets as a % of corporate assets	ABO as a % of shareholders equity
Aetna	818.2	1,235.0	1,481.0	246.0	129.7	(5.5)	0.60	2.04	1.12
Alcoa OP	2,261.5	2,399.0	2,371.5	-27.5	237.3	80.8	-26.76	23.95	57.83
Alcoa UP	29.9	37.6	8.6	-29.0	NA	—	—	—	—
Allegis OP	1,002.8	1,299.7	1,536.3	236.6	93.4	127.3	-27.53	18.68	34.32
Allegis UP	189.2	384.7	90.6	-294.6	—	—	—	—	—
Allied Signal OP	1,809.0	2,081.0	2,500.0	419.0	115.0	55.0	-7.74	24.45	57.81
Allied Signal UP	1,364.0	1,593.0	1,342.0	-251.0	NA	NA	—	—	—
American Air	1,401.5	1,678.1	1,558.9	-119.2	-76.7	53.6	-21.27	18.51	49.50
American Brands OP	435.1	590.7	906.3	315.6	172	4.9	0.93	12.34	13.66
American Brands UP	400.5	446.7	354.4	-92.3	NA	NA	—	—	—
American Electric	660.2	829.6	989.0	159.4	60.5	(3.0)	0.60	70.55	16.29
Ameritech	6,156.2	6,753.7	9,748.9	2,995.2	360.0	84.7	-7.67	51.90	80.89
Amoco	1,583.0	1,899.0	2,277.0	378.0	173.0	43.0	-3.06	9.17	13.08
Armco	1,727.0	1,932.0	1,514.0	-417.8	72.9	85.9	-42.21	54.33	233.82
AT&T	16,484.0	17,696.0	26,590.0	8,894.0	1,412.0	(316.0)	18.29	69.20	114.04
Atlantic Richfield OP	1,266.0	1,406.0	2,086.0	680.0	139.0	0	0	9.20	21.54
Atlantic Richfield UP	186.0	192.0	0	-192.0	0	NA	—	—	—
BATUS OP	646.6	779.1	885.4	106.3	44.8	15.0	-3.12	19.09	35.04
BATUS UP	41.3	50.8	14.1	-36.7	NA	—	—	—	—
Bell Atlantic	6,737.4	8,071.7	8,629.6	557.9	298.2	146.8	-10.64	40.62	77.07
BellSouth	6,388.1	7,816.2	8,226.0	409.8	407.7	154.4	-8.49	30.00	53.33
Bethlehem Steel	3,937.4	4,032.0	2,312.4	1,719.6	59.8	207.6	-54.36	48.43	325.84
Boeing	3,749.0	4,766.0	5,174.0	408.0	353.0	132.0	-21.57	41.17	75.16
Burlington Northern	785.5	947.4	824.8	-122.6	60.8	36.3	-8.96	7.53	20.77
Caterpillar	2,527.0	2,750.0	3,219.0	469.0	5.0	10.0	-2.78	71.95	70.88
Chevron OP	2,546.0	2,895.0	3,639.0	744.0	308.0	24.0	-2.44	10.56	16.13
Chevron UP	108.0	117.0	0	117.0	—	NA	117.00	0	117.00
Chrysler	6,381.8	6,436.5	3,646.2	-2,790.3	-163	470.3	-26.72	18.28	98.14
CIGNA OP	644.7	917.8	981.3	63.5	16.9	37.3	-4.87	1.83	12.34
CIGNA UP	17.8	27.3	6.3	-21.0	NA	NA	—	—	—
Citicorp	250.0	591.0	912.0	321.0	4.0	(9.0)	-0.80	0.45	2.84
Commonwealth Edison	1,257.0	1,533.0	1,766.0	233.0	102.0	6.0	-0.55	9.72	17.91
Consolidated Edison	1,788.0	2,368.0	2,333.0	-35.0	143.3	57.5	-9.46	24.86	44.62
Deere OP	879.0	1,113.0	1,209.0	96.0	-58.0	(35.0)	-54.69	25.40	45.78
Deere UP	910.0	948.0	834.0	-114.0	NA	NA	—	—	—
Delta Air Lines	1,853.4	2,620.3	2,637.5	17.2	359.5	89.7	-25.37	49.37	95.64
Digital Equipment	368.6	1,054.8	1,354.2	299.3	187.5	100.4	-8.11	16.11	5.86
Dow Chemical	1,730.0	1,973.0	2,007.0	34.0	142.0	85.0	-25.68	13.98	29.99
Du Pont	6,381.0	7,324.0	11,624.0	4,300.0	824.0	(207.0)	13.11	41.21	44.80
Eastman Kodak	3,095.0	3,967.0	5,269.0	1,302.0	308.0	(130.0)	12.40	36.46	51.47
Eaton OP	639.3	731.9	799.9	68.0	33.6	14.2	197.50	26.43	59.41
Eaton UP	152.6	164.6	74.2	-90.4	NA	NA	—	—	—
Exxon	3,111.0	3,541.0	4,764.0	1,223.0	178.0	(33.0)	0.70	6.86	9.72
Florida Power	359.8	563.4	1,023.3	459.9	27.3	0	0	10.25	11.62
Ford OP	5,467.9	6,139.9	8,205.6	2,065.7	884.0	354.7	-8.30	18.25	29.57
Ford UP	6,136.0	6,238.2	5,233.0	-1,005.2	NA	NA	—	—	—
GenCorp	1,111.0	1,149.0	1,237.0	88.0	7.0	14.0	-2.66	111.64	-1,145.36
General Dynamics OP	2,240.8	2,527.8	2,916.2	388.4	165.6	70.2	-13.85	57.96	139.96
General Dynamics UP	106.0	106.0	90.9	-15.1	NA	NA	—	—	—
General Electric	13,176.0	15,494.0	20,088.0	4,594.0	1,237	25.0	-0.85	51.61	79.95
General Motors OP	30,325.8	31,710.9	38,521.5	6,810.6	7,436.6	(810.5)	18.56	44.06	91.27
General Motors UP	50.2	111.2	0	-111.2	NA	NA	—	—	—
Goodyear OP	1,026.7	1,113.9	1,519.2	405.3	32.1	(5.5)	0.72	18.09	55.98
Goodyear UP	106.1	138.9	55.2	-83.7	NA	NA	—	—	—
Grumman	1,295.2	1,519.1	1,842.6	323.4	81.3	29.5	-45.38	81.75	178.06
GTE	3,700.0	5,609.0	8,254.0	2,645.0	729.4	16.2	-1.52	28.71	40.74
John Hancock	333.8	482.8	647.6	164.8	NA	(4.2)	—	—	—
Johnson & Johnson	500.0	728.0	932.0	204.0	62	25.0	-2.91	14.24	14.35
Hercules	618.6	720.0	1,055.1	335.1	75.2	(23.1)	2.90	30.21	28.26
Honeywell OP	1,108.6	1,258.7	1,506.2	247.5	345	45.1	-15.08	28.50	49.38
Honeywell UP	422.7	445.3	370.6	-74.7	NA	NA	—	—	—
GM Hughes	1,991.6	2,423.2	3,444.6	1,021.4	260	(51.4)	10.94	30.96	28.17
IBM	9,351.0	14,185.0	18,070.0	3,885.0	846	(142.0)	2.78	28.37	24.44

Definitions

ABO: Accumulated benefit obligation. The value of all benefits earned to date, including nonvested as well as vested benefits.

PBO: Projected benefit obligation. A measure of the liability for accumulated service reflecting future salary increases.

OP: Overfunded plan

UP: Underfunded plan

Source: Company annual reports

Large funds in good health

By Brad Rudin

About two-thirds of the nation's 100 largest corporate pension plans are overfunded on an ongoing basis, according to a *Pensions & Investment Age* survey of 1987 annual reports.

The survey results actually minimize the extent of overfunding because several corporations sponsor both large overfunded and small underfunded plans. Pension accounting rules require a separate display of data for the overfunded and underfunded plans.

For example, General Motors Corp.'s overfunded plans have a $31.7 billion projected benefit obligation and assets of $38.5 billion, while the underfunded plans have a projected benefit obligation of $111.2 million and no assets.

The average plan in the *P&I Age* Corporate Top 100 had accumulated benefit obligations of $2.1 billion, projected benefit obligations of $2.4 billion and assets of $2.9 billion.

The accumulated benefit obligation is the value of all benefits earned to date, including nonvested as well as vested benefits. The projected benefit obligation is a measure of the liability for accumulated service reflecting future salary increases.

The five most highly funded plans, measured according to the amount of plan assets in excess of the projected benefit obligation, are sponsored by American Telephone & Telegraph Co., General Motors, E.I. du Pont de Nemours & Co., IBM Corp. and American Information Technologies Corp.

"Pension plans are considerably better off today than when this administration took office," said David M. Walker, assistant secretary of labor for pension and welfare benefits. About 80% of the plans were overfunded in January, compared with 59% in January 1981, he said.

The surge in the capital markets made possible by Reagan administration economic policy is the primary cause of the sound funding status, he said.

"Nothing will help pension plans as much as a fabulous equity market," said Jeremy Gold, a principal at Morgan Stanley Pensions, New York. "The best thing for the health of pension plans is a healthy American economy."

Still, legislative change could reduce the surplus that has been built up during the 1980s.

The Omnibus Budget Reconciliation Act of 1987 seems likely to reduce the surplus in overfunded plans because of a provision that sets the full funding limit at the lesser of the actuarial liability or 150% of accrued liabilities. The legislation also requires increased minimum funding requirements and increased Pension Benefit

Guaranty Corp. premiums for underfunded plans, provisions that should reduce the amount of unfunded liabilities.

"The new (funding) limitation trims back the surplus pension plans can accumulate," said Louis Kingsland, a senior vice president at Callan Associates, San Francisco. Plans that are well funded could become underfunded if their OBRA-reduced cushion were exposed to deteriorating capital markets, Mr. Kingsland said.

"Some amount of deterioration is inevitable because (plan sponsors) are not making contributions for the most part," said Lawrence Bader, a vice-president in the asset allocation group at Salomon Brothers Inc., New York. "I'd still say they are in excellent health. I'm not trying to pronounce the coming of doomsday."

The future funded status of corporate retirement plans depends in large measure on congressional willingness to continue tax-deductible pension contributions, said Samuel W. Halpern, an executive vice president at Bear Stearns Fiduciary Services Inc., New York. Federal budget deficits create a great temptation to raise revenue by further shrinking the tax-deductibility of pension contributions, he continued.

A resurgence of inflation and a faltering economy could shrink surplus pension assets in the not-too-distant future, said Roger Bransford, a consultant at Towers, Perrin, Forster & Crosby, Atlanta. "There's nothing to suggest that those kinds of things could not happen again."

The Department of Labor is studying the implications of OBRA's full funding limit, Mr. Walker said, adding that while the department supports the principle of a funding limit, it is not sure Congress acted wisely in setting the limit.

Bear markets do not pose a serious threat to overfunded plans even with the full funding limit, Mr. Walker said. "It's unlikely that market fluctuations would erode that cushion."

Review of the pension footnotes in corporate annual reports showed few of the top 100 plans posted an actual loss on assets. Loss or gain on assets — a component of pension expense — includes investment income as well as realized gains and losses from the sale of securities and the unrealized appreciation and depreciation of assets.

GM, with a $7.4 billion return, reported the largest gain on investments in the *P&I Age* Corporate Top 100. AT&T's $26.6 billion plan reported an actual gain of $1.4 billion, giving the company second place in return on assets. General Electric Co., sponsor of a $20 billion plan, came in third with $1.2 billion.

Even with investment gains, almost two-thirds of the companies in the Top 100 reported pension expense. Du Pont, however, booked pension income of $207 million while AT&T reported pension income of $316 million.

The companies surveyed were drawn from *P&I Age*'s annual profiles of the nation's 1,000 largest pension funds. Elimination of non-corporate plans, with adjustments for mergers and acquisitions, produced the *P&I Age* Corporate Top 100. ■

P&I Age Corporate Top 100

Company	ABO	PBO	Plan assets	Plan assets in excess (less than) PBO	Actual return (loss) on plan assets	Net periodic pension expense (income)	Pension expense as a % of salaried net income	Plan assets as a % of corporate assets	ABO as a % of shareholders equity
Inland Steel	1,055.0	1,146.0	1,427.0	281.0	77	(13.0)	9.85	53.83	75.84
Int'l Paper OP	1,063.0	1,096.0	1,689.0	593.0	238	(44.0)	12.12	19.39	26.23
Int'l Paper UP	28.0	29.0	23.0	−6.0	NA	NA	—	—	—
ITT	1,593.0	1,853.0	1,796.0	−54.0	113.7	158.6	−13.47	13.45	20.37
James River OP	665.3	689.1	752.8	66.7	126.8	2.3	−1.34	17.88	38.08
James River UP	235.9	236.4	162.4	−73.8	—	—	—	—	—
K mart	576.0	762.0	897.0	135.0	40	16.0	−0.47	8.08	13.06
Kraft	626.0	767.9	1,144.6	376.7	123.1	(12.6)	2.86	20.86	32.98
Eli Lilly	784.9	1,015.9	1,141.5	125.6	91.8	28.9	−4.29	21.72	25.79
Lockheed	2,864.0	3,276.0	4,606.0	1,330.0	227.0	(19.0)	4.73	73.10	137.23
Martin Marietta	1,069.1	1,385.5	1,866.8	481.3	117.2	73.9	−24.23	66.81	117.74
McDonnell Douglas	2,971.0	3,328.0	4,474.1	1,146.1	−123.7	(112.5)	53.57	52.41	100.03
Merck	667.3	824.4	1,052.2	227.8	82.1	(1.3)	0.14	18.52	31.52
Metropolitan Life	937.0	NA	1,369.0	NA	NA	NA	—	1.55	—
Minnesota Mining OP	1,328.0	1,555.0	2,035.0	480.0	120.0	12.0	−1.29	25.39	26.25
Mobil	2,085.0	2,494.0	2,717.0	223.0	118.0	33.0	−2.56	6.60	12.42
Monsanto	2,278.0	2,615.0	3,118.0	503.0	187.0	7.0	−1.58	36.88	58.40
RJR Nabisco OP	1,247.0	1,683.0	1,707.0	24.0	89.0	74.0	−6.88	10.12	20.65
RJR Nabisco UP	904.0	914.0	676.0	−238.0	NA	NA	—	—	—
Navistar	2,352.0	1,644.0	1,927.0	283.0	NA	54.0	−62.07	101.31	365.79
Northrop OP	1,222.5	1,564.2	2,101.7	537.5	114.0	6.0	−6.00	67.28	128.96
Northrop UP	33.5	37.7	7.1	−30.6	NA	NA	—	—	—
Northwest Air	561.9	750.3	825.1	74.8	89.2	32.0	−23.70	19.56	36.89
NYNEX	6,945.0	8,658.0	10,431.0	1,773.0	340.0	109.0	−7.86	45.78	75.51
Owens Illinois	1,149.3	1,369.9	1,633.3	263.4	143.9	(25.9)	−40.47	36.15	904.96
PG&E	1,647.5	2,386.3	2,205.1	−181.1	89.0	101.3	−17.26	10.15	22.72
Pacific Telesis	5,531.0	6,558.0	8,045.0	1,487.0	598.0	162.0	−15.13	38.21	70.10
JC Penney	688.0	934.0	1,071.0	137.0	78.0	(8.0)	1.33	9.88	16.49
Philadelphia Electric	650.1	1,044.6	1,056.4	11.7	41.9	29.5	−5.75	9.42	19.19
Philip Morris	1,860.0	2,421.0	2,936.0	515.0	148.0	13.0	−0.70	15.34	27.26
Prudential	2,120.0	NA	3,892.0	NA	NA	8.0	−0.91	2.76	—
Raytheon OP	878.2	1,150.9	1,332.2	181.2	54.1	49.2	−9.96	32.80	47.50
Raytheon UP	395.8	397.9	353.8	−44.1	NA	NA	—	—	—
Rockwell OP	3,668.4	4,185.2	6,377.3	2,192.1	1,004.9	(164.4)	34.90	72.98	100.69
Rockwell UP	521.9	536.2	430.6	105.6	—	—	—	—	—
Sears OP	2,582.0	3,336.0	4,205.0	869.0	199.1	123.2	−6.95	5.61	19.00
Sears UP	195.0	251.0	143.0	−108.0	NA	NA	—	—	—
Shell Oil	2,195.0	2,534.0	2,888.0	354.0	136.0	24.0	−1.91	10.72	14.79
SoCal Edison	858.3	1,230.3	1,201.0	−28.8	130.7	53.6	−7.26	8.45	17.09
Southern Co.	893.7	1,536.4	1,708.2	171.8	63.5	43.5	−7.29	8.91	14.48
So. NE Telephone	853.7	930.4	1,293.7	363.3	94.1	6.4	−4.41	46.72	79.05
Southwestern Bell	3,692.9	3,831.6	5,678.6	1,847.0	166.9	(103.7)	9.93	26.41	45.06
Sun Oil OP	1,233.0	1,407.0	1,581.0	174.0	125.0	2.0	−0.57	12.57	23.58
Sun Oil UP	178.0	190.0	52.0	−138.0	NA	NA	—	—	—
Teledyne	594.7	700.7	1,356.2	655.5	63.5	(30.0)	8.65	43.26	30.10
Tenneco OP	1,076.0	1,318.0	2,438.0	1,120.0	411.0	(36.0)	−14.17	13.18	28.52
Tenneco UP	261.0	262.0	182.0	−80.0	NA	NA	—	—	—
Texaco	810.0	1,284.0	1,450.0	166.0	92.0	51.0	1.17	4.27	8.83
Textron	1,172.0	1,370.0	1,852.0	482.0	149.6	10.4	−3.90	34.66	50.80
TRW	1,187.0	1,490.0	1,790.0	300.0	135.0	14.0	−5.45	40.89	83.77
TWA OP	41.7	42.7	52.2	9.5	90.6	28.5	−36.06	1.24	14.28
TWA UP	1,193.7	1,202.4	1,135.2	NA	NA	NA	—	—	—
Travelers	854.5	1,183.8	1,203.3	19.5	75.8	14.1	−3.63	2.40	17.82
Union Carbide	1,279.0	1,650.0	1,628.0	−22.0	20.0	28.0	−10.77	20.63	102.57
Unisys OP	1,959.0	2,497.0	2,528.6	31.6	103.4	(31.2)	7.11	25.39	43.11
Unisys UP	89.5	94.2	44.9	−49.3	NA	NA	—	—	—
United Tech OP	3,454.1	4,260.3	5,768.3	1,508.0	1,075.3	9.0	−1.55	48.36	80.50
United Tech UP	336.2	442.2	222.2	−219.9	NA	NA	—	—	—
United Telecom	488.4	675.2	941.3	266.1	27.1	18.1	54.85	14.35	32.01
U S WEST	3,725.0	4,685.0	6,575.0	1,890.0	486.1	(16.1)	1.63	34.43	49.96
USX	7,570.0	7,974.0	8,527.0	553.0	618.0	(242.0)	−1,052.17	43.60	136.91
Westinghouse	4,232.0	4,677.3	3,629.5	−1,047.8	18.1	111.7	−13.16	36.47	118.34
Warner Lambert	599.8	669.9	719.1	49.2	−25.9	(24.1)	8.87	29.03	68.63
Unocal	528.0	635.0	853.0	218.0	58.0	(44.0)	32.00	8.40	29.90

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